

COST and MANAGEMENT

VOL. XXV

JULY - AUGUST

No. 7

MEETING MANAGEMENT COST PROBLEMS IN A SMALL BUSINESS

By A. Stuart Hallamore 251

Mr. Hallamore has enjoyed a broad experience at the executive level with several large companies, including Dominion Woollens & Worsteds Limited, Loblaw's Groceries and the Steel Co. of Canada. In 1948, he joined the firm of Robertson and Irwin Co. Ltd., as controller, and subsequently he was promoted to vice-president. In April of this year, he was appointed general manager of New Idea Furnaces Limited, in Ingersoll.

Mr. Hallamore is a member of the Institute of Chartered Accountants of Ontario, and served his articles with P. S. Ross & Sons, and Clarkson, Gordon & Co. He is a general member of the Hamilton Chapter of S.I.C.A.

A CASE STUDY OF SMALL BUSINESS CONTROLS

By N. R. Barfoot 263

The name of Norman R. Barfoot is a familiar one to the readers of Cost and Management. He has contributed a number of articles which have been well received, and is presently the writer of the material for C. & M. Round-up, a regular feature of our magazine.

Mr. Barfoot was, for six years, cost accountant at Galt Metal Industries Ltd., and in 1947, he assumed his present position as plant accountant and office manager, Sarnia Division of Fiberglass Canada Limited.

In 1945, he was successful in passing the final examinations of the Society, and was admitted to Registered Membership the same year.

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SOCIETY NOTES

SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS INCORPORATED IN NEWFOUNDLAND

Of great interest to all members is the recent announcement of the incorporation by Private Bill of The Society of Industrial and Cost Accountants of Newfoundland. The Bill was passed by the Newfoundland legislature on June 12th according to a telegram received just in time for President Norman Terry to make the dramatic announcement at the opening session of the 30th Annual Cost and Management Conference in Ste. Adele. Needless to say, the news was received with much applause.

The passage of this Bill represents the successful culmination of several months of concentrated effort on the part of a group of accounting executives in St. John's. It all began when a representative group met at the Newfoundland Hotel on October 4th last. At that meeting it was agreed that a Society of Industrial and Cost Accountants should be organized in Newfoundland with a view to seeking legislative powers similar to those vested in the Societies of Industrial and Cost Accountants in the other nine Provinces. Subsequently, Mr. Alex H. Ritcey, C.A., Chief Accountant of Brookfield Ice Cream, Limited, was elected Provisional President and Mr. A. L. Sumner, Cost Consultant, was elected Secretary.

Under their leadership the necessary steps were taken to bring to a successful conclusion the incorporation of the new Society.

To the Society of Industrial and Cost Accountants of Canada, the passage of this Bill represents the final stage in a program which was started in 1940. At that time, it was felt that a form of qualifying designation should be conferred by the Society on those who had attained a prescribed standard of qualification. To achieve this objective, the necessary legislative powers would have to be secured from each provincial government. It was, therefore, decided that Societies should be organized in each province and incorporated with the necessary powers to provide courses of study and to confer upon its qualifying members, the exclusive use of the designation "Registered

SOCIETY NOTES

Industrial and Cost Accountant" (R.I.A.). The first such Bills were passed in Ontario and Quebec in 1941 and since that time a constant effort has been made to carry out the programme thus begun, until this year when it was completed with the incorporation of the Societies in Prince Edward Island (see C. & M., April '51) and Newfoundland.

Those who had the vision to draft such a programme can take great pride in witnessing the results born of their wisdom and foresight. Not alone because their objective has been accomplished, but more particularly because of what they have given to the profession and to commerce and industry at large. Because of their efforts, our Society has provided a programme of education that has brought due recognition to industrial and cost accountants who are properly qualified, and has raised the standard of accounting in industry. These facts are now established and have proven the value of the educational work of our Society. They will become more pronounced as time goes on.

It is, therefore, with great pride we welcome into this endeavour those who have sponsored the incorporation of The Society of Industrial and Cost Accountants of Newfoundland and sincerely congratulate them on their achievement. Those who sponsored the Bill are:

Thomas M. Hopkins, Chief Accountant, Anglo Nfld. Development Co.
Walter B. Tucker, Chief Cost Accountant, Anglo Nfld. Development Co.
C. Alexis Collins, Chief Cost Accountant, Bowaters
Edwin J. Burnell, Auditor, c/o Reid Son, Watson & Leith
George Burling, Comptroller, St. John's Housing
Corporation
John B. Angel, Managing Director, The United Nail &
Foundry
Wilfrid E. Furneau, Secretary, Job Brothers
Walter F. Hutchinson, Director, Job Brothers
Archdale S. Lewis, C.A., Directory, Fishery Products
Arthur L. Sumner, Consulting Cost Accountant
Albert G. Miles, Secretary, Browning Harvey Ltd.
Eric G. White, Managing Director, White Clothing
Eric G. Pittman, Secretary, Nfld. Margarine
A. H. Ritcey, C.A., Chief Accountant, Brookfield Ice Cream,
Ltd.

COST AND MANAGEMENT

30th ANNUAL COST AND MANAGEMENT CONFERENCE

The 30th Annual Cost and Management Conference was, in every respect, up to the high standard which has been established by previous conferences, with the addition of some new features which are certain to be included in our conclaves of the future.

There were approximately 225 persons registered including the wives of many members, and a number took advantage of the delightful locale to bring their children and enjoy a family vacation.

The programme arranged by the Conference Committee under the joint chairmanship of Vic Madge and Vic Davies was thoroughly enjoyable in every way. They have proven that a Conference at a resort can be a great success despite the fact the weatherman seemed intent on upsetting their plans, particularly so as far as the ladies were concerned.

The Conference opened Thursday morning, June 14th with a meeting of the Directors. The announcement by President Norman Terry that the Bill had passed in Newfoundland was enthusiastically received and set the keynote of accomplishment which was very much in evidence in the subsequent discussion of committee reports.

All the business sessions were well attended in terms of members and representation. The various activities of the Society were discussed fully but the major item of consideration was the further development of services and financing. At this point, we could do no better than to quote, in part, from the report of the Budget and Finance Committee as follows:

"The Society has grown rapidly in numerical strength; in its sphere of influence; and in quality of membership. Our next effort must be directed to consolidation of the existing position, followed up quickly by further development of services. Adequate financing is a prerequisite to beneficial action along these lines, and in this connection the interests of both Provincial and Dominion organizations must be considered jointly. It is, therefore, beyond the scope of this committee to bring forward an all-embracing recommendation for any specific plan, but we feel obligated to suggest the need for prompt and serious consideration of the problem.

SOCIETY NOTES

The first requirement is a determination of objectives in the further development of services, and closely associated with this is the question of financial resources to support any new undertaking. In order to initiate consideration of these problems, we recommend the appointment of a special committee charged with the duty of formulating a long-term policy and commensurate financial plan.

In our opinion this matter is urgent and we would strongly advocate that the findings of such a committee should be submitted to the Provincial Councils in time to permit a study of the recommendations prior to the next meeting of the Co-ordinating Executive Committee, which will probably be held in October. While stressing the importance of time we would also emphasize the need for cautious appraisal of known and anticipated factors affecting the entire national scene.

The Society now has an organizational structure and the membership to extend its beneficial efforts not only in the training of qualified Industrial and Cost Accountants, but also in providing leadership in the realm of financial management. We have a thirty-year record of achievement, so let us draw on this experience in planning for the future."

It was unanimously agreed that a special committee be appointed in accordance with the foregoing recommendation.

The Co-ordinating Educational Committee had an extremely heavy agenda, and two sessions were held instead of just one as announced on the programme. Among the many important items discussed by the Committee was the matter of standardizing exemptions and very satisfactory progress was made in establishing a basis acceptable to all Provinces. As the Society has expanded, the work of this Committee has increased in volume and complexity. The fact that a high degree of uniformity of regulations has been maintained is a tribute to the members of the Committee and to the chairmanship of Donald R. Patton.

The Technical Sessions under the general chairmanship of Alex. S. Keiller proved once again the value of our Annual Conferences. The sessions were all well attended and the addresses

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given were productive of much valuable information. Space does not permit of a detailed report of the Technical Sessions, but the papers will all be published in the following issues of Cost and Management.

The Annual Dinner was an outstanding success and will long be remembered for the exceptionally fine address given by Dominique Bertrand, C.G.A., R.I.A., Manager, Laliberte Ltée., of Quebec City. Displaying a unique blend of humour and wisdom, the speaker made one realize that it is possible to discharge one's social and business responsibilities and at the same time enjoy life to the full.

The concluding event of the Conference was the cocktail party, buffet supper and dance held in the Chantecler on Friday evening. In making the arrangements for this function, the Conference Committee did themselves proud. While the conviviality and good fellowship of a cocktail party are usually the natural result of spirits released when bottles are uncorked, the buffet supper was a vivid dream transformed into palatable reality. The preparation of such a sumptuous table required the blend of a gourmet and artist, for not only was there a grand array of fish, meats, pastries and other delicacies, but the artistic arrangement and designs could only be described by a colour photograph. The buffet supper followed by the dance, was a fitting climax to the 30th Annual Cost and Management Conference.

ANOTHER REASON FOR MAKING EARLY RESERVATIONS WHEN ATTENDING A CONFERENCE

The following letter was received by the Conference registrar in reply to a request for accommodation:

Dear Sir:

We are pleased to confirm reservation of a double twin-bedded room with private bath for Mr. and Mrs. at a daily rate of \$11.00 per person, American Plan, for the period June 14th until June 16th, arrival time a.m. Your reference "C". Due to our heavy volume of honeymooners during June, we regret that we are unable to offer Mr. and Mrs. a double bed.

Sincerely hoping that the above accommodation will prove satisfactory.

COST AND MANAGEMENT

Examination Results, 1951

In the 1951 Examinations of the Society, the following students obtained pass standing in the subjects listed:—

ACCOUNTING I

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ALBERTA

Beaton, D., Calgary	Mace, S. D., Edmonton
Birse, W. E., Edmonton	Martin, W. E. Calgary
Bryant, H. S., Calgary	Maxwell, J. E., Calgary
Bryden, H. G., Calgary	Maybin, J., Calgary
Buhr, J. D., Calgary	McDougall, R., Lethbridge
Coventry, J. E., Edmonton	McKee, A. J., Calgary
Cyr, D. Z., Calgary	McLean, G. Y., Calgary
Doddridge, R. L., Calgary	McNeil, F. C., Edmonton
Douma, M., Calgary	Moyes, Beryl, Calgary
Edgar, J., Calgary	Negrey, M. J., Lethbridge
Geddes, K., Calgary	Nelson, Margaret, Calgary
Iredale, R. B., Calgary	Simpson, K. A., Calgary
Langton, Mrs. B. M., Edmonton	Watson, K. D., Edmonton
Ley, T. O., Calgary	Westgate, L. E. J., Edmonton

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF BRITISH COLUMBIA

Birtch, D. S., South Burnaby	Hunter, R. M., Vancouver
Buttar, J., New Westminster	MacKay, M. A., Vancouver
Cutts, E. R., Vancouver	McPhedran, Miss M., Vancouver
Davies, J. R., Victoria	Mills, N., Vancouver
DeWolf, T. G., Royal Oak	Patterson, E. H., Vancouver
Elliott, J. D., Vancouver	Powell, R. E., Victoria
Fraser, H. A., Victoria	Rounding, H. S., Victoria
Garrett, C. K., Vancouver	Ruccius, A. P. C., Vancouver
Gaudry, R. G., Vancouver	Spark, A. N., Vancouver
Greef, Miss I. R., Vancouver	Wood, T., South Burnaby

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF MANITOBA

Burnett, Wm. R., St. James	McNabb, W., Winnipeg
Cory, K. E., Winnipeg	Phaneuf, C., St. Boniface
Clark, C. B., Winnipeg	Pile, J. R., Winnipeg
Cranstone, A. C., Winnipeg	Smith, A., St. James
Magis, A. E., Transcona	Tesluk, E., Norwood
Mathie, T. L., Brandon	Tesluk, N., Norwood
McCarron, E. W., Winnipeg	Turnbull, C., St. James
McGowan, J., Winnipeg	Wilson, F. R., Winnipeg

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF NEW BRUNSWICK

Kilbride, Ellen, Chatham	Skeat, R. W., Moncton
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THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF NOVA SCOTIA

Atkins, E. F., Bridgewater	MacCallum, R., Halifax
Cameron, A. M., Halifax	Mahon, R. L., Truro
Clark, G. S., Dartmouth	Quinn, D. B., Halifax
Ferguson, J. F., Halifax	Ritcey, K. H., Halifax
Forrest, R. W., Halifax	Stephen, A. P., Halifax
Gosling, J. L., Halifax	Tizard, G., Halifax
Haverstock, L., Halifax	Walsh, W., Halifax
Hill, R., Dartmouth	Zinck, C. W., Halifax
Hume, R., Dartmouth	

COST AND MANAGEMENT

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ONTARIO

Aalto, A. U., Port Arthur
Andrews, W. J., Toronto
Baranowski, Edna, Port Arthur
Barlow, R. T., Hamilton
Barritt, J. C., Fruitland
Bennett, D. F., Windsor
Bercovici, A., Toronto
Best, Mrs. Jean, Hamilton
Black, D. G., London
Blakney, J. F., Brantford
Blanchard, G. E., Hamilton
Brodrribb, R. B., Orillia
Bruce, L. A., Niagara Falls
Buie, A. L., Fort William
Burns, J. J., Toronto
Chapman, C. J., Neepawa
Chappus, R. J., Windsor
Charlton, R., Windsor
Coles, D. W., Toronto
Comishen, H., Hamilton
Crowley, E. D., Kingston
Deasy, H. R., Toronto
Dell, J. W., Niagara Falls
Denis, G., Ottawa
Diamond, J., Kingston
Dodwell, H. W., Toronto
Donison, G., Hamilton
Duffield, W. H., Port Arthur
Fraser, F. J., Kitchener
Geiss, H., Hamilton
Gibson, C. J., Port Arthur
Graham, A. B., Ottawa
Halford, R., Waterdown
Hamilton, W., Toronto
Harding, G. V., Toronto
Haworth, F., Windsor
Hazzard, G., Hamilton
Hicks, O. R., Hamilton
Honess, L. H., Toronto
Hull, W. R., Toronto
Hunter, Ruth, Port Arthur
Iwamoto, Y., Toronto
Jackson, A. F., Windsor
Johnston, D. H., Kingston
Kawasoe, M., Waterloo
Kelley, J. A., Toronto
Korpi, R., Fort William
Kose, P., Hamilton
Lahie, A. J., Hamilton
Laidlaw, R. H., Guelph
Lawes, H. S., Hamilton
Lewis, G., Sarnia
Little, E. C., Windsor
Livey, A. M., Toronto
Main, Elizabeth, Hamilton
Marshall, George, Hamilton
McAlpine, S. L., Hamilton
McKenzie, A. Hugh, Hamilton
McLure, M., Fort William
McNeill, W. T., Port Arthur
Misiasz, T. J., Windsor
Murcott, A. H., Toronto
Nichols, F. J., Toronto
Noon, Alfred J., Toronto
Okada, May, Toronto
Paton, Alan, Toronto
Potter, J. A., London
Price, G. E., Oshawa
Pye, K. E., Windsor
Robertson, W. W., Hamilton
Roenicke, W. J., Fort William
Sheppard, D. R., Hamilton
Smith, J. E., Merriton
Splawski, S., Fort William
Swan, W. D., Windsor
Thompson, F. W., Windsor
Turcotte, T., Kingston
Turnbull, J. M. B., Toronto
Usajewicz, J., Toronto
Wells, G. H., Brantford
Wilson, F. D., Toronto
Wilson, Paul, Toronto

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF QUEBEC

Devault, A., Farnham
Olscamp, Yolande,
Shawinigan Falls
Simard, B., Laviolette Co.
Taylor, A. E. Temiskaming
St. Pierre, Wm., Montreal

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF SASKATCHEWAN

Bartindale, R. E., Saskatoon
Gilmour, A. B., Landis
Lucyshyn, N., Saskatoon
Miller, E., Saskatoon
Wiebe, E. W., Saskatoon

EXAMINATION RESULTS, 1951

BUSINESS MATHEMATICS

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ALBERTA

Birse, W. E., Edmonton	Granlien, N. L., Calgary
Bryden, H. G., Calgary	Hunter, D. O., Calgary
Cornish, H. M., Edmonton	Iredale, R. B., Calgary
Doddridge, R. L., Calgary	Langton, Mrs. B. M., Edmonton
Douma, M., Calgary	McLean, G. Y., Calgary
Fiorentino, F., Edmonton	McNeil, F. C., Edmonton
Fox, Norman, Calgary	Moyes, Beryl, Calgary
Freeman, H., Calgary	Rutter, J. R., Calgary
Galloway, D. L., Calgary	

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF BRITISH COLUMBIA

Elliott, J. D., Vancouver	Melnik, J., Vancouver
French, L., Vancouver	Middleton, L., Vancouver
Lavoie, M. Anne, Vancouver	Patterson, E. H., Vancouver
MacKay, M. A., Vancouver	Robinson, A. K., South Burnaby
Martineau, B., New Westminster	Sweeting, D. D., Vancouver
McKinnon, A., Vancouver	Young, Eva, New Westminster
McMynn, Alice, Vancouver	

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF MANITOBA

Clark, C. B., Winnipeg	Patterson, W. C., Winnipeg
Colclough, J., St. James	Phaneuf, C. St. Boniface
Cory, K. E., Winnipeg	Pile, J. R., Winnipeg
Cranstone, A. C., Winnipeg	Serhan, W., Winnipeg
Henderson, Edna, Winnipeg	Smith, A. D., St. James
Hewitt, R., West Kildonan	Spratt, M., Winnipeg
King, W. R., Winnipeg	Tesluk, E., Norwood
McCarron, E. W., Winnipeg	Tesluk, N., Norwood
McGowan, J. J., Winnipeg	Warkentin, R. G., East Kildonan
McNabb, W. F., Winnipeg	Wilson, F. R., Winnipeg

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF NOVA SCOTIA

Atkins, E. F., Bridgewater	Rice, A. J., Halifax
Balcom, E. A., Dartmouth	Ritcey, K. H., Halifax
Gosling, G. L., Halifax	Tizard, G., Halifax
Hill, Ralph, Dartmouth	Walsh, W., Halifax
Quinn, D. B., Halifax	Zinck, C. W., Halifax

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ONTARIO

Andrews, W. J., Toronto	Iwamoto, Y., Toronto
Barlow, R. T., Hamilton	Jackson, A. F., Windsor
Bercovici, Alex, Toronto	Jenkins, Mrs. M. E., Fort William
Best, Mrs. Jean, Hamilton	Kertesz, F., Toronto
Brown, H., Hamilton	Kolasa, N., Fort William
Carpenter, K. W., Fort William	Little, E. C., Windsor
Chapman, C. J., Neepawa	McLarty, K. B., Toronto
Coulter, W. D., Hamilton	Moss, Eleanor, Toronto
Craig, Wm. A., Toronto	Pye, K. E., Windsor
Deasy, J. R., Toronto	Quinn, H. R., Hamilton
Densmore, L. H., Merriton	Reynolds, R. B., Toronto
Dugal, V. C., Windsor	Robertson, W. W., Hamilton
Fitzmaurice, M. J., Oshawa	Roenicke, W. J., Fort William
Hamilton, W., Toronto	Splawski, S., Fort William
Hanas, J., Gimli	Thompson, F. W., Windsor
Hannam, Yvonne, Hamilton	Twiner, J. A., Toronto

COST AND MANAGEMENT

Hawthorne, J. T., Hamilton
Hazzard, G., Hamilton
Hicks, O. R., Hamilton
Hirst, J. T., Toronto
Honess, L. H., Toronto
Humphrey, J. F., Toronto

Ulens, D. G., Hamilton
Usajewicz, J., Toronto
Williams, F. R., Fort William
Wright, W. J., Todmorden
Young, D., Port Arthur

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF QUEBEC

Masterson, T. G., Lennoxville

ACCOUNTING II

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ALBERTA

Abercrombie, J. F., Calgary
Bare, J. G., Calgary
Bishop, P., Calgary
Clissold, J. H., Edmonton

Garside, G. E., Edmonton
Langley, J. O., Lethbridge
Smith, A., Calgary

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF BRITISH COLUMBIA

Armstrong, G., Vancouver
Bell, D. T., South Burnaby
Brock, H. G., Vancouver
Chalmers, R. D., Vancouver
Christison, V., Victoria
Craig, Marjorie, Vancouver
Devlin, B. J., Vancouver
DeWolf, T. G., Royal Oak
Erickson, E. O., Vancouver
Harvey, W. H., Vancouver
Hoff, C., Victoria

I'Anson, J., Vancouver
Jacobsen, P. A., Vancouver
LeFevre, C. E. W., Victoria
McGregor, D. A., Vancouver
Mendieta, G., Vancouver
Nichols, K. E., Vancouver
Petersen, E. B., Vancouver
Robinson, B. A., Vancouver
Scott, M. C., Vancouver
Shaw, Ronald S., Vancouver

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF MANITOBA

Arnett, S. D., Winnipeg
Blenkarn, W., Winnipeg
Coley, N. E., East Kildonan
Clark, G., West Kildonan
Dryburgh, A., Winnipeg
Goodman, Lloyd, Winnipeg
Gordon, L., Winnipeg
Henderson, Edna, Winnipeg
Hewitt, R., West Kildonan
Holl, F. M., Winnipeg
Iwankow, W. B., East Kildonan

Keatch, G., St. James
Lyons, Jessie M., Winnipeg
McBey, R. J., Winnipeg
McNair, W. A., St. Vital
Montgomery, J. G., Winnipeg
Mylrea, E. Mabel, Winnipeg
Patterson, W. C., Winnipeg
Serhan, W., Winnipeg
Spratt, M., Winnipeg
Williams, E., Winnipeg

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF NOVA SCOTIA

Rice, A. J., Halifax

Carter, K. M., Halifax

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ONTARIO

Baczynski, T. S., Hamilton
Bissell, J. S., Toronto
Blakeley, W. A., London
Brown, C. W., Oshawa
Densmore, L. H., Merriton
Dingwall, J. M., Hamilton
Fawcett, J. E., Hamilton
Foulds, P. S., Kingsville
Fraser, C. W., Kingston
Gibson, F., Fort William

Lawes, H. S., Hamilton
Leighton, F., Hamilton
Livey, A. M., Toronto
Lyon, H. Q., Hamilton
MacLaren, C. S., Brockville
Martin, R. F., Toronto
McPhee, J. R., Hamilton
Milne, J., Port Arthur
Noon, A. J., Toronto
Penman, T. F., Toronto

EXAMINATION RESULTS, 1951

Globe, S. R., Grimsby
Gregg, J. L., Toronto
Hollingsworth, H. A., Fort William
Holman, R. S., Hamilton
Jaques, R., Hamilton
Kane, J. J., Kingston
Landers, R. S., Kitchener

Siemens, Mrs. Marjorie, Hamilton
Skene, John M., Hamilton
Stroud, Wm. W., Toronto
Wills, R., Toronto
Wood, David, Port Arthur
Zecha, L. J., Toronto

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF QUEBEC

Aarhous, A. F., Grand'mere
Battle, C. S., Shawinigan Falls
Deveault, A., Farnham

Frechette, M., Shawinigan Falls
Ricard, C. L., Shawinigan-Sud
St. Pierre, Wm., Montreal

INDUSTRIAL LEGISLATION

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ALBERTA

Brownoff, N. L., Edmonton
Dunwoodie, W., Edmonton
Logan, R. E. A., Calgary

MacDonald, D. A., Edmonton
Wark, V. H., Lethbridge

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF MANITOBA

Blenkarn, W., Winnipeg
Clark, G., Winnipeg
Coley, N. E., East Kildonan
Dryburgh, A., Winnipeg
Gordon, L., Winnipeg
Holl, F. M., Winnipeg

Iwankow, W. B., East Kildonan
Jones, N. R., Norwood
McBey, R. J., Winnipeg
Montgomery, J. G., St. James
Williams, E., Winnipeg
Wood, L. A., Winnipeg

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF NOVA SCOTIA

Carter, K. M., Halifax

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ONTARIO

Bailey, M. E., Kingston
Barber, A. R., Galt
Beck, A. S., Hamilton
Berlet, F., Kitchener
Beveridge, J. C., Hamilton
Blanchard, G., Hamilton
Bloomfield, C. M., Toronto
Caddo, C. R., Fort William
Cooley, R., Durham, N.C.
Cross, N. S., Toronto
Currie, A. J., Red Rock
Dale, K., Hamilton
Davenport, F., Windsor
Dawson, L. G., Toronto
Dool, J. L., Kapuskasing
Dowsett, H. M., Belleville
Earle, W. F., New Liskeard
Farrar, J. D., Sarnia
Fleming, D. A., St. Marys
Grabowy, E. F., Fort William
Harris, T. V., St. Catharines
Harvey, Miss L. G., Ottawa
Holman, R. S., Hamilton
Hull, W. R., Toronto

Jaques, R., Hamilton
Kelly, H. E., Hamilton
Kyle, V. D., Toronto
Lahie, A. J., Hamilton
Langhorne, G., Peterborough
Lawes, H. S., Hamilton
Livey, A. M., Toronto
Lyon, H. Q., Hamilton
MacDonald, R. C., Sarnia
Main, Miss Elizabeth, Hamilton
McAlpine, S. L., Hamilton
McDiarmid, W. L., Hamilton
McPhee, J. R., Hamilton
Michener, N. K., Welland
Oakie, A. U., Toronto
Park, D. K., Willowdale
Reynolds, J. M., Toronto
Siemens, Mrs. M., Hamilton
Tusch, J. A., Elmira
Wands, R. G., Hamilton
West, A., Toronto
Williams, V. A., Hamilton
Williams, W. E., St. Catharines
Wood, E., Toronto

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF QUEBEC

Bergeron, Paul-Andre,
Quebec City
Blake, E. G., Montreal
Blanchfield, Miss Mary, Montreal

Joeck, W. F., Montreal
Johnson, J. L., Montreal
Lehoux, Marc, Quebec City
Lemieux, Reynald, Quebec City

COST AND MANAGEMENT

Campbell, D. M., Montreal	Lepper, J. S., Montreal
Charbonneau, Rene, Quebec City	McNicoll, Benoit, Quebec City
Collette, J. R., Montreal	Murphy, P. J., Montreal
Dahms, E. C. M., Montreal	Pageau, Victor, Quebec City
Daigneault, L. R., Montreal	Proulx, Raymond Marie, Quebec City
Dunkerly, P., Montreal	Reinblatt, S. M., Montreal
Ebbitt, J. A., Montreal	Roy, Louis, Quebec City
Elder, S. D., Montreal	Rupert, R., Montreal
Fontaine, Jean Claude, Quebec City	Shore, R. G., Montreal
Fortier, Claude, Quebec City	St. Laurent, H., Montreal
Fortin, Georges, Quebec City	Stevens, R. P., Montreal
Gagnon, Rene, Quebec City	Strypczuk, M., Montreal
Godin, Camille, Quebec City	Thomson, F., Montreal
Hamel, Yvon, Quebec City	Vining, E. J., Montreal
Hamilton, H. W., La Tuque	Walsh, L. J., Montreal
Harrison, E. W., Montreal	Willows, F., Montreal
Jobin, Conrad, Quebec City	

FUNDAMENTALS OF COST ACCOUNTING

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ALBERTA

Abercrombie, J. F., Calgary	Lewis, F. N., Edmonton
Armstrong, A. C., Calgary	Marshall, R., Edmonton
Atkinson, Miss D., Edmonton	Miller, H., Calgary
Bishop, P. A., Calgary	Richards, W. N., Edmonton
Buick, R. M., Calgary	Shove, G. G., Edmonton
Cieslak, S., Edmonton	Slipper, P. E., Calgary
Clissold, J. H., Edmonton	Smith, A., Calgary
Fowler, V. T., Edmonton	Tarrant, J. F., Calgary
Freeman, H., Calgary	Wilkins, F. A., Edmonton
Hazlett, G. O., Edmonton	Zaparyniuk, W. L., Edmonton
Hill, R. H., Calgary	

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF BRITISH COLUMBIA

Carlson, D. J. L., New Westminster	Milne, L. A., Vancouver
Eltringham, J., Victoria	Newburg, L. C., Victoria
Feldman, S., Vancouver	Nichols, K. E., Vancouver
Ferris, Miss B. M., Vancouver	Robinson, B. A., Vancouver
Florkow, A., Vancouver	Scott, M. C., Vancouver
Grut, D. Jersey, Vancouver	Shaw, R. S., Vancouver
Hutchinson, C. J., Vancouver	Stashuk, J., Vancouver
Jacobsen, P. D., Vancouver	Thompson, R. L., New Westminster
Matthew, F., Vancouver	

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF MANITOBA

Armstrong, N. W., Norwood	Patrick, T. H., Winnipeg
Backhouse, E. A., Winnipeg	Reilly, H. H., Varsity View
Benson, R. E., Winnipeg	Sohor, S., Winnipeg
Crowston, E., Prince Albert	Spratt, M., Winnipeg
Derco, J., Winnipeg	Stainton, W., St. James
Friend, R. L., Winnipeg	Tippett, G. D., Winnipeg
Jefferies, A. D., Charleswood	

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ONTARIO

Adair, T. W., Ottawa	Hunt, A. N., Hamilton
Baczynski, T. S., Hamilton	Hyatt, H. G., Windsor

EXAMINATION RESULTS, 1951

Bloomfield, C. M., Toronto
Britten, H., Port Arthur
Britten, Miss I., Port Arthur
Brown, H., Hamilton
Caddo, C. R., Fort William
Chadder, R. E., Elora
Drombolis, M., Fort William
Fleming, D. A., St. Marys
Fors, P. B., Port Arthur
Fraser, Clarke W., Kingston
Funamoto, G. W., Hamilton
Graham, R. J. S., Smiths Falls
Hesler, W. C., Humberstone
Innes, E. J. S., Hamilton
Kane, J. J., Kingston
Laing, J. H., Brantford
Lamont, J. L., Denfield
Laroche, J. M., Cornwall
MacMillan, M., Port Arthur
Mead, J. F., Port Arthur
Pattison, R. A., Port Arthur
Purdon, J. C., Galt
Rennie, R. M., Toronto
Shaffer, H., Fort William
Stacey, R. M., Hamilton
Warden, Wm. G., Hamilton

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF QUEBEC

Barrette, Paul-Albert,
 Quebec City
Beaudoin, R., Montreal
Beaulieu, Gerard, Quebec City
Bergeron, Paul-Andre,
 Quebec City
Bergeron, Victorin, Quebec City
Blake, E. G., Montreal
Boutin, Roland, Quebec City
Brunelle, Andre, Quebec City
Buisson, G., Shawinigan Falls
Charbonneau, Rene, Quebec City
Chasse, Jean, Quebec City
Cook, M. E., Sherbrooke
Coupal, R., Montreal
Couture, R. A., Montreal
Dahms, E. C. M., Montreal
Daigle, Robert, Quebec City
Faguy, Leandre, Quebec City
Fecteau, Ulric, Quebec City
Forest, B., Montreal
Fortier, Claude, Quebec City
Fortin, Georges, Quebec City
Fontaine, Jean Claude,
 Quebec City
Gagnon, Gaston, Quebec City
Gagnon, Rene, Quebec City
Gamache, C., Montreal
Genest, Etienne, Quebec City
Godin, Camille, Quebec City
Goulet, Marcel, Quebec City
Grenvenier, G., Shawinigan Falls
Hackland, J. G., Grand'mere
Hamel, Yvon, Quebec City
Hansford, S. E., Lennoxville
Harrison, E. W., Montreal
Houde, J. R., Shawinigan Falls
Huard, Magella, Quebec City
Jacob, Marcel, Quebec City
Jobin, Conrad, Quebec City
Joeck, W. F., Montreal
Johnson, J. L., Montreal
Lafleur, Lucien, Quebec City
Lanoix, M., Montreal
Lehoux, Marc, Quebec City
Lemieux, Reynald, Quebec City
Lepper, J. S., Montreal
de Lottinville, Henri, Quebec City
McCarthy, J. E., Montreal
McNicoll, Benoit, Quebec City
Minguy, Jean-Paul, Quebec City
Pageau, Victor, Quebec City
Phandler, F. J., Montreal
Pike, E. A., Montreal
Premont, Felicien, Quebec City
Proulx, Charles-Antoine,
 Quebec City
Proulx, Raymond-Marie,
 Quebec City
Rediker, G. D., Montreal
Reid, A. R., Montreal
Roy, Louis, Quebec City
St. Denis, R., Montreal
Stevens, G. H., Montreal
Stephenson, J. F., Montreal
Stewart, K., Montreal
Taylor, C. I., Montreal
Thomson, F., Montreal
Tremblay, Claude, Quebec City
Trudel, Paul-Andre, Quebec City
Vallieres, Raymond, Quebec City
Vining, E. J., Montreal
Walsh, L. J., Montreal

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF SASKATCHEWAN

R. Dunbar, Saskatoon

COST AND MANAGEMENT

ADVANCED COST ACCOUNTING

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ALBERTA

Buick, R. M., Calgary
Trickey, J., Edmonton

Wilson, J. B. D., Edmonton

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF BRITISH COLUMBIA

Argue, E. C., Vancouver
Crookes, B. D., Vancouver
Kitchener, W. I., Vancouver
Lawrence, W. R., Vancouver
Mavor, G. T., New Westminster

Petersen, E. B., Vancouver
Wallace, J. J., Vancouver
Western, R. M., Burnaby
Woodward, P., Vancouver

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF MANITOBA

Young, K. J. G., St. James

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ONTARIO

Barber, A. R., Galt
Beveridge, J. C., Hamilton
Boomsluiter, W., London
Buttimier, W. C., Toronto
Campbell, G. F., Toronto
Cartwright, L. H., Toronto
Ellis, T. L., Georgetown
Farrar, J. D., Sarnia
Fenton, J. N., Hamilton
Freeman, C. R., Hamilton
Hembruff, N., Toronto
King, Wm. N., Peterborough
Laturney, Donald, Kingston

Logan, Hugh, Toronto
Masson, John A., Toronto
O'Donnell, W. H., Kingston
Park, T. C., Hamilton
Parr, A. E., Kingston
Powell, D. K., Hamilton
Roe, N. V., Toronto
Scarrows, L. J., Toronto
Schlessinger, F., Ottawa
Stewart, J., Hamilton
Wands, R. G., Hamilton
Watts, Mary F., Toronto
Winn, Jack, Hamilton

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF QUEBEC

Anderson, R. V., Montreal
Beaulieu, Gerard, Quebec City
Belanger, Jules-H., Quebec City
Bergeron, Paul Andre,
Quebec City
Bergeron, Victorin, Quebec City
Black, W. H., Sherbrooke
Breton, Fernand, Quebec City
Brown, N. R., Montreal
Cardella, J. F., Shawinigan Falls
Charbonneau, Rene, Quebec City
Daigleault, L. R., Montreal
Deveault, A., Montreal
Desmarais, L. R., Montreal
Dubuc, L. L., Montreal
Dunkerly, P., Montreal
Feild, J., Montreal
Fontaine, Jean-Claude,
Quebec City
Fortier, Claude, Quebec City
Fortin, Georges, Quebec City
Gagnon, Rene, Quebec City
Genest, Etienne, Quebec City
Godin, Camille, Quebec City
Guerard, Paul-Emile,
Quebec City
Hamel, Yvon, Quebec City
Harrison, E. W., Montreal
Huberdeau, G. G., Montreal
Huot, Paul-Emile, Quebec City

Jackson, L. E. F., Montreal
Jacob, Marcel, Quebec City
Jobin, Conrad, Quebec City
Lanthier, R. R., Montreal
Leftly, E. A., Montreal
Lemieux, Reynald, Quebec City
Lepper, J. S., Montreal
Levine, F. P., Montreal
Martin, G., Montreal
McNicoll, Benoit, Quebec City
Montanaro, C., Montreal
Muff, J. F., Montreal
Pageau, Victor, Quebec City
Premont, Felicien, Quebec City
Proulx, Charles Antoine,
Quebec City
Proulx, Raymond Marie,
Quebec City
Rediker, G. D., Montreal
Richard, J. G., Montreal
Rochon, Jean Marie, Quebec City
Roy, Louis, Quebec City
Seaboyer, G. D., Montreal
Stevens, R. A., Montreal
Stewart, K., Montreal
Tremblay, Claude, Quebec City
Trudel, G., Montreal
Tzventarny, A., Montreal
Vallieres, Raymond, Quebec City
Wilson, A. E., Montreal

EXAMINATION RESULTS, 1951

INDUSTRIAL ORGANIZATION AND MANAGEMENT

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ALBERTA

Atkinson, Dorothy, Edmonton	Marshall, R. B., Edmonton
Brownoff, N. L., Edmonton	Miller, Howard, Calgary
Buick, R. M. Calgary	Miller, R. G., Edmonton
Dunwoodie, Wm., Edmonton	Reed, C. L., Edmonton
Garside, G. E., Edmonton	Roseborough, A. W., Edmonton
Hazlett, G. O., Edmonton	Simpson, K. A., Calgary
Lewis, F. N., Edmonton	Smith, R. S., Calgary
Logan, R. E. A., Calgary	Trickey, J., Edmonton
MacDonald, D. L., Edmonton	Wilkins, Frank A., Edmonton
MacKay, W. D., Edmonton	Wright, G., Calgary

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF BRITISH COLUMBIA

Avery, L. E., South Burnaby	Owen, G. E., Vancouver
Cox, H. V., Vancouver	Somerville, W. R., Lions View
Dawson, L., Vancouver	

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF MANITOBA

Anderson, D. T., Winnipeg	Moore, W. L., East Kildonan
Backhouse, E. A., Winnipeg	Patrick, T. H., Winnipeg
Benson, R. E., Winnipeg	Pitcairn, B., St. Vital
Buechler, J., Winnipeg	Rayfield, T. E., Fort Garry
Cameron, R., Manitoba	Redshaw, K. A., Norwood
Cherrett, Wm. G., St. James	Reilly, H. H., Varsity View
Crowston, E., Prince Albert	Riddell, G. L. F., Winnipeg
Ewart, S. R., St. Boniface	Shorten, H. G., St. Vital
Ewart, T., St. James	Sohor, S., Winnipeg
Friend, R. L., Winnipeg	Stainton, W., St. James
Heaton, G. A., Winnipeg	Syme, R., Winnipeg
Howes, M. R., Winnipeg	Trager, F., Winnipeg
Jefferies, A. D., Charleswood	Turner, H. R., St. Vital
Keeping, K. R., Norwood	Turner, R. J., East Kildonan
Kryschuk, J., Winnipeg	Wootton, R. W., Winnipeg
Mitchell, W. G., West Kildonan	Young, K. J. G., St. James

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ONTARIO

Barnett, D. E., Toronto	Meyer, Lloyd, Waterloo
Berlet, F. G. W., Kitchener	Miller, C. A., Ottawa
Burnside, E. G., Toronto	North, Miss E., Hamilton
Caddo, C. R., Fort William	Owen, Alfred, Thorold
Cheshire, C. T., Riverside	Park, D. K., Toronto
Cross, N. S., Toronto	Parker, E. W., Hamilton
Dawson, L. G., Toronto	Pattison, R. A., Port Arthur
Drombolis, M., Fort William	Rivers, A., Ottawa
Dutchburn, R., Paris	Sellers, E. G., Fort William
Ferries, N. L., Toronto	Shaffer, H., Fort William
Fors, P. B., Port Arthur	Sinclair, C., Toronto
Harvey, Miss L. G., Ottawa	Stewart, James, Hamilton
Hunt, A. N., Hamilton	Turner, W. W., Hamilton
Lowry, J. W., Hamilton	Williams, V. A., Hamilton
MacMillan, M., Port Arthur	Williams, W. E., St. Catharines
Mead, J. F., Port Arthur	Young, E. G., Toronto

COST AND MANAGEMENT

THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF QUEBEC

Anderson, R. V., Montreal
Bergeron, Paul-Andre,
 Quebec City
Cardella, J. P., Shawinigan Falls
Carter, T. J., Montreal
Chasse, Jean, Quebec City
Chestney, B., Montreal
Clarkson, P., Montreal
Daigneault, L. R., Montreal
Desroches, R., Montreal
Fecteau, Ulric, Quebec City
Feild, J., Montreal
Fontaine, Jean-Claude,
 Quebec City
Fortin, Georges, Quebec City
Gagnon, Rene, Quebec City
Hackland, J. G., Grand'mere
Hamel, Yvon, Quebec City
Lemieux, Reynald, Quebec City
de Lottinville, Henri, Quebec City
Lepper, J. S., Montreal
Magar, L., Montreal
McConnell, J. V., Montreal
Monroe, J. W., Riverbend
Muff, J. F., Montreal
Murphy, P. J., Montreal
Pageau, Victor, Quebec City
Power, K. A., Montreal
Premont, Felicien, Quebec City
Proulx, Charles Antoine,
 Quebec City
Proulx, Raymond Marie,
 Quebec City
Rose, T. B., Montreal
Reinblatt, S. M., Montreal
Stevens, G. H., Montreal
Stevens, R. A., Montreal
Thomson, F., Montreal
Trudel, G., Montreal
Tzventarny, A., Montreal
Vallieres, Raymond, Quebec City
Wilson, A. E., Montreal

◆ C & M ROUND-UP ◆

By N. R. BARFOOT, R.I.A.

BUSINESS OUTLOOK FOR THE BALANCE OF THE YEAR

Sales of consumer goods such as radios, cars and furniture are down and will be down in volume, showing the effect of government anti-inflationary credit restrictions.

Basic industries will, if anything, show an up-curve.

Steel mills are loaded through the fourth quarter and presently running nearly 10% over last year's production.

Oil is anticipating a large increase in consumption.

Capital investment will probably exceed the 4.3 billion program planned for this year.

TABULATING FOR

Did you know that many successful installations of tabulating equipment are now in use for complete payroll work? From the original time card or job ticket are made, payroll registers, earnings statements, cheques, tax reports and compilations of all sorts of necessary statistical information.

Of course, the all-important labour distribution is made quickly and accurately.

Accounts payable distribution and receivables may be put on the tab machines without any trouble.

Statements, cheques and even journal entries may be made via punch card system.

CHEMICAL INDUSTRY

Every major chemical producer in Canada is planning expansion. Present monies allocated to new and expanding plant amount to 150 millions.

The chemical industry is as basic as steel or coal to the modern industrial economy.

The new developments are, therefore, of a permanent nature and not necessarily a phase of defense work.

Sulphur, fertilizer, pharmaceuticals and the by-products of the petro chemical extractive groups are the important yields from this particular industrial growth.

L.M.P.C.

The Department of Labour - Industrial Relations Branch, is fostering Labour - Management Production Committees.

The service provides field representatives located in key industrial centres, who are available to help both managements and trade unions set up L.M.P.C.'s. Publicity aids by way of booklets, films and posters are available.

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Some notable examples of the results of such committees are quoted in the most recent Labour Gazette.

The idea is to increase output and lower production costs by the only way possible — making the best use of time, effort, machinery and material.

FORMS

Are your office forms good implements to management and control? Have you too many? Are they properly designed? Are there duplications? Do you make use of pre-cut stamps or stencils? Do they individually conflict with each other or with existing policy?

The above series of questions may be asked in any office about any forms.

Besides the cost of paper, which is usually high enough, how much valuable time of supervisors and clerks is wasted by needless and improperly designed forms.

Appoint someone, first of all, to collect all forms in a common file. Then look at them for usefulness, poor design and cost of production. Insist on all new forms being officially requested with supporting data on justification, saving in man hours, alternative sources of supply, cost of manufacture and whether form conflicts with existing forms.

DEPRECIATION

At least four problems have come out of the new deferred depreciation and will be the subject of consideration by Ottawa.

1. How to handle building and expansion programs in progress prior to the announcement of the new policy.
2. How to draw a line between defense or defense supporting industry and "civilian" work.
3. The need for clear definitions of how far in the production process, "basic" industries are to be considered eligible for exemption from the regulations.
4. How to provide continuation of depreciation rates where these have been in effect, but where the property changes hands after the date of the new order.

Meeting Management Cost Problems In a Small Business

By A. STUART HALLAMORE, C.A.,
General Manager, New Idea Furnaces Ltd.

Mr. Chairman, members of the Society of Industrial and Cost Accountants of Ontario, and guests, I am glad to have the opportunity of addressing you on the occasion of your Annual Convention — particularly since the topic gives me an opportunity of expressing some views on what may be the next major development in Cost Accounting on the continent. Mr. Barfoot has given us an excellent study on accounting controls for a small business, and it is now my task to relate the techniques used by the Cost Accountant to the problems of management.

I am going to re-express the subject so as to bring out more strongly what I understand was the intention of this Society when plans were made for these talks. My suggested re-wording is "The management purposes the costs must serve in a small business", and I am instructed that by a small business is meant something up to 250 employees. You will at once gather that there is no particular need to confine comments on management purposes to small businesses since they are essentially the same for all, apart from mechanical differences in the nature of the organization itself, e.g., one company may manufacture, whereas another may be solely a distribution organization. What we wish to do is to distinguish the differences in the form of organization and the accountant's techniques due to the size of the business.

Insofar as organization is concerned, you will all be familiar with the fact that in some very large organizations the Cost Accountants' group is sub-divided to a point where it is not integrated, and in point of fact it is allied more closely to other parts of the business than to the financial organization. This would apply in the many Companies which now use a Cost Accountant in the sales division for merchandising purposes, and who have Cost Accountants in the plant assisting in the control of operating costs. Similarly, in widely distributed manufacturing organizations, entire cost accounting groups would be asso-

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ciated directly with isolated plants, rather than the main offices. Contrasted with this, in an organization of 250 people, or less, one would find that the employees must be much more versatile, since many of the duties would overlap and in the smallest organizations there would be only one financial man responsible not only for general accounting, but also for cost accounting, secretarial, and semi-general managerial duties. Obviously, also, the form of statements will materially vary because the Cost Accountant does not wish to spend one hundred dollars in producing statements which can only yield a possible return of ninety-nine dollars, and consequently those related to small companies must necessarily be of a general nature. It is also easily recognized that one of the main advantages of standard costs, the provision of a common denominator, is of much greater value in the case of a large company with a number of product lines and plants, than in a small operation where visual supervision plays such an important part. In a general way the main danger in a large company would seem to be that of doing too much useless work, whereas in a small organization the tendency would likely be towards doing insufficient analysis in relation to the profit making potential of the work incurred. Another general precept is that of doing similar work in a small company to that in a large company, but at less frequent intervals, because of the smaller potential benefit.

Having commented briefly on the form of organization and general accounting differences we can proceed by relating the various objectives of management to the cost techniques in common usage and in doing so extract some of the differences that the size of the Company would create, while showing some of the ways in which widely accepted techniques and practices fail to accomplish management objectives. Cost Accounting, at its present stage of development is in many ways quite vulnerable since many man hours are wasted in undertaking work which can do no one any possible good, and this is true to such an extent that further major improvements may be difficult because we are too entangled in detail. Before another major step forward can be taken, it would seem necessary to minimize the costs of costing, and eliminate all useless work.

MEETING MANAGEMENT COST PROBLEMS

MAIN PURPOSES THAT COSTS SERVE

It is unfortunate that in establishing any conclusions it is always necessary to start back at our basic principles and I know that these are well known to all of you. It is also necessary to make these objectives more general, and fewer in number than you may have been accustomed to in your own thinking. However, those general purposes to which I would like to direct your attention are:—

- (1) Control of costs.
- (2) The setting of selling prices and the direction of management attention to the most profitable type of sales.
- (3) The valuation of inventory.
- (4) Forecasting of future operation results.
- (5) The attainment of the above objectives at as low a cost as possible.

(I) CONTROL OF COSTS

No general rule can be laid down for the preparation of statements designed to assist in cost control, nor the frequency of their issue. Such decisions are purely matters of individual judgment relating to particular sets of circumstances, but the general principles followed can perhaps be illustrated by reference to the following typical situations.

(I) *Statements of unused capacity*

Even though based on very rough figuring these will be useful in a small plant, as well as a large one, for the purpose of directing management attention to the need of obtaining products which will earn substantial overhead.

(II) *The question of when to record scrap losses*

This is a simple matter of mathematics. If you are conducting a manufacturing operation in which the exact sizes of material required for the operation are received, and there are no scrap losses, then obviously at that extreme there is no necessity for recording scrap. On the other hand, if your manufacturing operation involves a potential loss, due to extreme difficulty in manufacturing of say 25% to 50% of the material going into the product then there is obviously the greatest need for control and exhaustive analysis of the causes of scrap losses will be well worthwhile.

COST AND MANAGEMENT

(III) *Substitution of materials*

Similar lines of reasoning apply to the question of recording substitution of materials. On the one hand there may be virtually no substitution, and on the other there may be situations where, because of failure to purchase, or poor stock handling, materials are not available when required, so that an expensive substitute material may have to be used in place of a more economic item. Where the potential losses are great, and benefits are obtained from tracking down the causes and instituting proper remedial steps, the circumstances obviously dictate the expenditure of considerable time and money.

(IV) *Set up time.*

Another very similar situation arises in determining whether to record the preliminary set up time at the beginning of runs, or to account for such time along with the regular operating time. Once again the importance of set up time in relation to the total is the dominating factor.

You will notice that I have avoided covering any of the accounting problems with which we are more familiar, since I am addressing a group which is familiar with conventional problems.

(2) COSTS NECESSARY TO SET SELLING PRICES AND TO DIRECT ATTENTION TO THE MOST PROFITABLE TYPES OF SALES.

Since a good deal of useless work is performed because of a failure to understand the various purposes costs must serve some elaboration appears desirable before launching into the question of setting selling prices and merchandising. We have been discussing costs for cost control and two possible methods of allocation appears practical.

(a) Occasional summaries of costs by nature of the expense without regard to the department in which they occur, e.g. telephone expense. Such summaries prepared say annually, should be made the subject for careful inquiry as to whether alternative methods may produce better results, e.g. substitution of more telegrams, contract calls, teletype, etc.

(b) Apart from the above exception, which is really a statistical rather than a cost approach, there is only one method of distribution which assists management in cost control and that is segregation of cost by responsibility. The allocation of taxes on buildings to manufacturing departments for example

MEETING MANAGEMENT COST PROBLEMS

serves no useful purpose in cost control since the department head is not responsible for it, and can be controlled only by taking action on the total, not the allocated amount. This applies in fact to almost all overhead with occasional exceptions, such as for maintenance of machinery which can definitely be controlled by departments.

Clearly then, allocations of service centre overhead expenses, with few exceptions, need be made only for the purpose of setting selling prices and should be confined normally to an annual review as contrasted with the practice of monthly distribution followed by many companies.

Considering the allocation of costs for the purpose of setting selling prices, our problem is to obtain a distribution that will be reasonably indicative of an average cost result so that our selling price may yield us a satisfactory average margin. We are no longer interested in whether on an individual day or week costly material substitutions, extraordinary repairs, a favorable or unfavorable material purchasing experience, or any of the other many variables which affect day to day cost control were present. We are trying to establish a representative cost and must therefore adopt a long range view so that average results re the quantity of material used, the labour hours used, and overhead will be used. Material prices and current labour costs are, of course, normally included on an up-to-date basis. Our endeavour to direct management's attention to the most profitable types of sales will carry us beyond product groups into cost by sizes and kinds of products if the nature of our business is such as to necessitate this, and the alert Accountant will also be aware of the costliness of selling goods in a distant territory when we ourselves have to absorb the freight charges. He will also be careful to see that the Sales Department is not loaded with a number of customers to whom only a small annual volume is sold, since the accompanying credit, advertising and other costs which occur only once for each customer can make such an activity unprofitable. It is obvious also that sales to an entire territory may be unprofitable as may the activities of an individual salesman because of either the sale of unprofitable items or because of high expenses.

Speaking again of the small company, and the large company theme, it will be apparent that no set rules can be applied but that the nature of the individual business and the size of

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transactions in relation to the cost of making analysis will be the determining influences.

(3) VALUATION OF INVENTORY

Management also requires a periodic statement of the profit and loss results of the company, together with a balance sheet which shows him the status of his resources at a given time. It is my view that great accuracy in determining inventory values for these purposes is neither possible, nor desirable. The purpose of this exercise is to determine whether or not the business is operating in a satisfactory manner and an arbitrary dissection of the continuing flow of business into a time interval of a month or year, etc., does not appeal to me as being an action requiring meticulous accuracy. In a small company, with closer supervision of stocks on hand of a direct nature, much cruder methods seem indicated, and instead of the full book inventory systems which we are accustomed to viewing in large companies, the old style practice of using a percentage of profit on sales based on cost estimates and past experience as a means of reducing sales to a cost figure from which residual inventory values are determined is a reasonably satisfactory procedure under many circumstances.

(4) FORECASTING

Another major purpose that the Cost Accountant serves is in assisting to determine what the future will bring and this naturally brings to mind the question of budgetary control which has occupied a dominant place in the minds of we Cost Accountants for many years. Under this heading I have only two comments to make:—

(1) That expense accounts are frequently broken down to too fine a degree, leaving the suspicion that more time is spent in controlling the expense than could possibly be recovered in economies.

(2) The use of flexible budgets seems just as desirable in a small, as a large company. We have found it a most excellent means of control, and the preparation of break even point figures is an exercise that should be made mandatory in all companies.

MEETING MANAGEMENT COST PROBLEMS

(5) COST OF COSTING

One of the primary responsibilities of Cost Accountants is to carry out the objectives of management at as reasonable a cost as possible. The number of ways in which the resourceful Accountant can head towards this goal are practically unlimited. My own list contains forty-two items and would perhaps make a separate topic for discussion. My purpose here, however, is to stimulate thought in constructive directions, and perhaps for now it will be useful to direct attention towards principles rather than individual items when looking for means of operating with the minimum of manpower. With this in mind, the following seven items are suggested:—

- (1) Issue statements as infrequently as is necessary to adequately control operations.
- (2) Copy figures from one place to another as infrequently as possible. The use of reproducing master copies and other forms of automatic reproduction are perhaps even more effective in reducing the amount of time used in searching for errors than in reducing the time conserved in copying.
- (3) Eliminate work peaks.
- (4) Eliminate bottlenecks.
- (5) Cultivate a team spirit within the organization so as to break down the artificial walls created by departmental lines. The free movement of employees from one department to another leads to the elimination of slack periods, and to more versatile and better trained staffs.
- (6) The work performed should be carefully related to the capabilities of the person by whom it is done. It doesn't make sense to have the Secretary-Treasurer of the company adding up columns of figures, and yet this principle is followed in every office, to a considerable degree.
- (7) The use of job methods study, now fairly common in plant operation can be just as beneficial in the office. Work standards should be established wherever practical.
To again revert to our small company and large company differences, the suggestions under the above section will apply to each in varying degree.

MERCHANDISING

One of the greatest opportunities that the Cost Accountant has to make himself useful seems to be the field of merchandising. Some comment has already been made on this phase in the comments related to the establishing of selling prices. However, it can lead to most constructive results if a group such as this devotes some time and thought to the changes which occur in the requirements of Cost Accountants as related to changes in general business conditions. Under normal business conditions sales are made in competition with other manufacturers or distribution companies. The Cost Accountant, under these conditions, will know from his breakdowns of fixed and variable costs, which lines yield the company the greatest profit plus fixed overhead, i.e., the greatest marginal profit, and when he directs such items to the attention of the sales management, concentrated selling effort will be placed on these. Perhaps the sales department will choose to select various methods of selling, depending on the profitability of the items. They might decide for instance to use the mails rather than personal calls by salesmen, or they might choose to use a dealer or distributor organization, rather than direct selling.

Under conditions similar to those existing to-day, where supply is the limiting factor, management might, as a result of a study of fixed and variable costs and marginal profits, decide to concentrate its limited supplies in the manufacture of the lines which yield the greatest profit. On the other hand, conditions might be such that selling prices would be adjusted so as to make the same marginal profit on all lines of goods so that roughly the same balance of production would be maintained.

The above comments have been directed at the more conventional Cost Accounting approaches. Perhaps some of you prefer to change the normal direction of your thinking under to-day's conditions to determine the margin of profit obtained in relation to the quantity of material available. This would be applicable for instance in the case of steel in many Canadian industries to-day. The Cost Accountant who showed his management where each ton of steel available could be sold to best advantage, would be living up to the highest standards of his profession. The illustrations given should be sufficient to indicate the broad fields available for the resourceful accountant, and the necessity for equipping oneself with a set of figures which

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can be used in a great variety of ways, without long delays or excessive additional cost. It is apparent that the versatile and flexible accountant will be a most valuable man to his organization.

MAJOR ERRORS COMMONLY MADE IN THE DEVELOPMENT OF COST ACCOUNTING SYSTEMS

I stated earlier in this address that I felt the next major improvement in cost accounting might well be the stage in which we tidy up our house. It is my belief, based on personal experience in a number of different organizations, and on many discussions regarding a large number of companies with other accountants, that fully half the time spent on cost accounting work is completely useless because it serves no business objective. It may be a little difficult for some of you to believe that I consider that an understatement of the actual fact, rather than an overstatement, and that a good many of the reasons for this waste are common to almost every company. The major causes for this condition are as follows:—

(1) Distribution of expenses beyond the point at which they are controllable. Current costs are segregated by nature and responsibility so as to permit action to be taken in their control. Many cost systems allocate on a continuing basis, monthly overhead expenses such as taxes on buildings from the service centre, to the manufacturing centre and sometimes from the manufacturing centre to various product groups. Splitting up the amount of taxes on buildings over manufacturing departments and product groups, does not permit anyone to reduce such taxes; so, therefore, does not aid in controlling the expense. It is, of course, desirable to allocate property taxes and all other overhead expenses to product groups from time to time in order to establish overhead rates from which data necessary to establishing selling prices is obtained. However, this is not a process which is followed from month to month, because selling prices cannot be changed from day to day, or month to month; only a representative long-range picture is of value. It seems clear, therefore, that overhead studies for the purpose of establishing selling prices in the absence of abnormal situations could be reviewed only once a year. Many similar examples can be found in the distribution of selling and administration expenses.

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(2) There are many instances in which statements are issued without any comparison either with proceeding periods, or with budgets. No action can be taken on a figure without a comparison, since there is no means of determining whether it is good or poor.

(3) There is a great deal of cost work directed towards the accumulation of figures which are so trivial, and in which the possible savings are so small that it is obvious that the cost of accumulating the results exceeds any possible saving. I would suggest that you review your present cards of accounts having this in mind, and I am certain that in almost every case you will find accounts in which the total monthly accumulation is say \$50.00 where the total expense for your manufacturing section might be \$50,000.00. The extent of the split depends on the ratio of the expense to the general picture.

(4) Many statements are released to executives with distortions which obviously must be explained. The Cost Accountant wastes executive time if he does not ascertain the cause of the result and state it so that management is in a position to take action when the statements are put in their hands.

(5) When the above features have been corrected there will still remain what seems to me to be the major source of waste, and this lies in recording significant figures only. By this I mean figures about which something can be done. You will have noticed that the railways and some other large companies have in recent years been following the practice of eliminating the cents on their statements, and there has been some tendency also towards the so-called "centsless" accounting, by which sub-divisions of expense and revenue accounts were maintained in dollars only. It seems to me that these practices represent only a halting first step along a long path. To illustrate, I was at one time employed with a large chain store organization which, incidentally, is a leader in its field. This company followed the practice of releasing a very complete set of statements, including weekly data on sales by stores. These sales were shown to the cent, and were compared with those of the preceding year, and as I recall it, also the preceding week. The sales during a week (using fictitious figures) would vary within a year perhaps from \$4,000.00 to \$6,000.00 a week, so that sales of Store No. 110 might run \$6,852.25 this week, and perhaps drop to \$4,552.67 during the following week. To begin with, it is rather doubtful

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whether any action would, or could, be taken about a decline of sales of this extent during such a short time interval as one week. A longer period would likely be taken before any action would result. However, assuming that something could be done within a time interval of one week, could anyone conceivably do anything about the last four figures, i.e., if the whole statement were set up in hundreds of dollars and only the figures 68 and 45 shown would anything further be of use? This is as far as anyone could conceivably take action. No one would be interested in knowing the figures beyond the hundreds of dollars mark. I would like to draw your attention to the fact that statements of this kind are usually accumulated in some form of ledger first, and then are drafted out in statement form, then are typed on either a ditto master or directly reproduced, and then the master or typed copies have to be checked. In a process of this nature it seems apparent that two-thirds of the work at least serves no useful purpose, and if the statements were produced only every second week there would be a further reduction of almost 50%. This practice of recording and copying figures that have no significance from the standpoint of taking business action is to my mind the most wasteful practice in existence today, and it is my sincere hope that a group of this nature take an active interest in developing methods which will minimize this waste. I hope that this, or a similar group will recommend the elimination of all but significant figures, and by this I mean using hundreds of dollars or thousands of dollars, or tens of thousands of dollars, depending upon the size of the organization, and will include records devoted to not only statistical information, but also to the distribution of revenues and expenses. There is no good reason why these distributions have to be in detail. Distributions of revenue and expense beyond control accounts are made for the purpose of controlling the expense, and there is no need to record them in detail unless they do provide data which is acted upon. Business might be better off by eliminating the recording of fixed asset values in anything but significant figures as well and perhaps in the dim future we will get around to a point of recognizing that the value of the dollar is now so low that in making sales on other than a cash register basis that even dollars only be recorded. I don't think this statement is nearly as foolish as it may seem at first glance, since the cost of entering an individual invoice under today's conditions is likely well in excess of one dollar in the

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great majority of instances, so that unless our bookkeeping work is minimized on small sales, the cost of preparing the invoice may exceed not only the profit on the transaction, but the total revenue value as well.

PEOPLE

There is another very great source of waste in industry to-day and that is in relation to the people who make our systems work. I believe companies who make an active study of the reactions of we human beings can increase their productivity substantially. It isn't difficult to visualize what a difference it would make in most organizations if those responsible for a particular set of duties were forced to reach their own conclusions about every problem within their jurisdiction before requesting their immediate superior for approval or advice. Taking such a simple step as this would, I think you will agree, result in the elimination of many supervisors or to put it more favourably from our standpoint, the release of our time for more important functions. Many of you will undoubtedly have had the experience of seeing two groups become embroiled in a bitter argument for no other reason than that they did not know or understand each other's purposes or personalities. In companies which hold Labour - Management meetings it is obvious that explanations of company policy have cleared many former causes for complaint. It will be a great day when people are doing what they want to do instead of what they are told to do.

There is nothing in what I have said under this heading that is not elementary, but unfortunately we are all prone to forget these fundamentals, and until such time as we do allocate a portion of our time to finding out what our associates are like, and what they are trying to do, our productivity and our standard of living will fall far below our possible limits.

I have appreciated the opportunity of addressing you to-day, and I sincerely hope that the opportunities you have in business to-day will be realized and acted upon, because nothing would give me greater satisfaction than to see this organization provide leadership to the continent in Cost Accounting matters.

A Case Study of Small Business Controls

By N. R. BARFOOT, R.I.A.,
Plant Accountant, Fibreglass (Canada) Ltd.

Business controls? Why do we need them? We need them to anticipate and guarantee profit. However, did we make enough for the effort and money expended to produce and ship our goods? Was our profit an accident or a result of a carefully superintended program. Did we show a loss on operations? Are we able then to show easily and quickly why? The answer is business controls.

The ultimate objective of business is economic efficiency or profit. The ultimate objective of business controls is the aid which they give to business in attaining its goal of economic efficiency or profit.

I am sure the rather expansive term "business controls" brings to every mind the vast array of intricate systems employed by the great corporations. We all know the immensity of effort and the infinite elaboration, by way of controls, which is indulged in by big business.

Is this "big plant stuff" applicable to the small industry?

Can we dismiss these important tools of great management as being too expensive and too refined to be applicable to small business?

I believe that everyone of the necessary yardsticks for good management can be put in and successfully operated in a small business. I say that because there is no difference in fundamentals, the same operating principles and concepts apply whether we are dealing with large or small business. The fact that many small industries are practising these controls most efficiently to-day is proof that it is only a question of consolidation of effort.

To illustrate this I should like to take you on a tour of a small industry. To further create the right atmosphere, I should like us to shed our debit and credit mantle for a few minutes and become business managers, top executives, faced, not only with account control, but all business controls. One basic premise

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only is needed to guide our thinking in this case study of controls. We shall be looking for differences, and variations in our program that influence economic efficiency. In other words, we shall use the principle of exception.

Our control program in this small industry, which employs shall we say, 150 to 300 people, may be logically divided into 3 spheres of activity, namely: operational controls, service controls and employee relations.

OPERATIONAL CONTROLS

Every business needs a production planning and control system which plans and arranges men, material and machines in such a fashion that high quality goods are produced economically at the right time.

There is then in this typical small industry of ours a very close tie between inventory, buying, traffic and plant machine scheduling. In fact, in this plant we are studying, one man superintends balance of stores, traffic and production planning.

Sales budgets have already sent the balance of stores department and planning into action. Knowing the load ahead, it is easy to establish from basic specifications order point and order quantity on each requirement of raw material and purchased parts. Here is our first control, by proper knowledge of when to order and how much to order we ensure adequate supplies of materials. But we have a number of hot items of varying need and what is worse, lengthening delivery cycle. These are subject to daily inventory control on gantt charts, which plot our needs and our progress towards completion of these needs.

The gantt chart is used a lot in this new company. It is unequalled for both short and long term control on getting things done on time.

Purchasing and traffic are closely knit together in order to follow up on established needs and to advise on varying delivery cycles which may change our order point and order quantity in balance of stores control.

Production effort is planned in broad outline for a few months ahead, but specific control is through a daily order of work. This document, which is a ditto form, has the basic information, such as product description, raw material require-

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ments, finished quantities required, scheduled time for each job and hour to be completed by. The Planning Department of this new plant also schedules on a time basis, downtime for regular repairs, in its daily order of work. One of the weak points of most planning systems, large or small, is their disregard for downtime. It can be planned and in our model factory, known downtime is treated as carefully as operating time.

A variable section to the Daily Order of Work form supplies the different producing departments with special instructions, such as Packing Department on packaging and warehousing with quantities actually produced and scrapped. This last part of the form follows through to Balance of Stores (Finished Goods Section) for quantity recapping and on to accounting for cost recording. If shipment is made from line to car, then a further copy goes to Shipping with instructions to prepare bills of lading, etc. One basic form with a variable section does the trick.

So much for the mechanics of daily work, but we have an overall quick control from planning. One that tells us three things — how much quality goods were made, how much was wasted and how well we utilized our operating time.

To develop this, we ask ourselves this fundamental question.

How much did we do compared to what we should have done? It is as simple as all that to measure plant production effort. Expressed as a formula for easy measurement it is simply total earned hours over total elapsed hours, which will equal per cent or plant or machine efficiency.

Earned hours is a combination of two things, or to state them in the form of questions — How long did we operate compared to the time we should have operated? — or, How well did we utilize the time available? and How much did we produce compared to the amount we should have produced for the length of time operated?

In other words, earned hours is a measurement of time utilization, production and scrap, which, after all, are the only three physical factors you are concerned with in production.

Both of these factors are computed in a few minutes at the beginning of each day from information on the Daily Order of Work for the previous day and expressed as a per cent which, if

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all conditions are met, shall we say the plant attains 100% or has met its production budget for the day and is allowed 100% standard performance.

If standard performance is not up to 100%, a quick examination of the time utilization section or scrap will show why and to what degree action is necessary.

Kept on a daily and to date basis for a month, these figures show the entire trend of factory efficiency.

One figure once a day for productive measurement. One other measurement is necessary. The sales orders to date give plant load and shipments measured in days ahead.

Two figures each day show what the plant did and whether it has business for to-morrow.

Factory controls down to a minimum and useful for small business.

Service controls or general management controls consist of Industrial Engineering, Quality Control, Maintenance and Accounting.

Industrial Engineering gives a varied and valuable service to our experimental plant. A three-man department in our new plant install and maintain our system of standards for planning and cost work. Incentives are developed as needed both for direct production worker and supervisory bonus schemes. Job description and job simplification are handled by this group. Plant and machine layout are important offshoots of industrial engineering work.

This department is the control on labour and machine efficiency through its development of the correct measuring formula for all plant effort.

Our new plant is vitally concerned with the inspection of goods with quality, and the prevention and control of scrap. Quality Control, to use the more inclusive term, is managed by the use of statistical method. It is the newest and a better way to handle the old expensive 100% inspection. How does it work?

Proper statistical limits are set for each part to be run. That is limits or tolerances within which it is known that the trade will accept our goods as quality products. When a production run is started, the first parts are checked for dimensional accuracy and plotted on a chart. Proper sampling of lots, of equal numbers are made at established intervals during a run. If dimensions are not falling within these statistically established limits, the machine needs checking.

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Very few plants are using this control because it is new and trained men are scarce, but our new small organization must take advantage of a positive and inexpensive way to inspect its goods. One man per shift does the job and a summation of his charts in conjunction with physical scrap reports give what we call the Quality Indicator measurement, which is a further control on the all important subject of offware. An analysis of this Quality Indicator factor if it is off standard limits will show the underlying and the important causes within the general scrap picture.

Scrap reduction can come only from knowing the major causes and in this plant the control devise is the Quality Indicator factor as developed by statistical method.

MAINTENANCE CONTROL

The job of the maintenance engineering department in this new plant is to keep the wheels moving. Management wants to know that this is being done or can be done by the staff provided. As in Productive Planning, it is fundamental to have materials, men and a plan of operation.

Material control for maintenance consists of a special maintenance stores section controlling by order point and order quantity, supplies of all sorts for repairs and spare parts for machines. Maintenance themselves will determine the extent and nature of this list. Inventory control in conjunction with purchasing will see that the material is available when needed.

The program of maintenance is best expressed by prevention. Two records are provided to carry this out — accurate equipment cards on all machine and motor and a tickler system showing dates for periodic lubrications and inspections.

The load on our maintenance department in this plant is a threefold one — periodic inspections, which is a constant factor — unplanned work which must be done at once and planned work which can be deferred for a time.

Any maintenance job requiring more than an hour's work must be officially requested by order, if a breakdown occurs, confirmation will be accepted. These work requests become the productive orders of the repair department.

It is now possible to build up a plan of work or an order for work sheet for each day ahead.

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This daily order to work has the routine lubrications and inspections written on it in permanent form so that a simple initial or tick will suffice to show work done. One section will contain details of planned work with an estimate of time to be taken. A final section will have a blank space for the insertion by the workman of unplanned or additional planned work.

Major repair items drawn from stores such as motors, gears, electronic parts, etc., will be indicated against the proper Work Request on the D.O.W.

The purpose here is to internally record and indicate on the equipment cards from the engineering completed daily orders of work the facts of machine life and usefulness. An important and necessary control on economical operation of machinery and proper replacement of same.

Analysis of Work Requests are also made to determine those caused by carelessness and negligence — those that mean new additions or changes to equipment and those originating through failure of the preventive maintenance program.

The Engineering Department will provide our management with these facts for control purposes.

A gantt chart plan in detail of all major preplanned repairs. A weekly statement of work completed by Work Requests and a gantt chart of progress and work ahead in terms of days.

This latter chart to spell out whether Engineering is on top of its job or needs assistance.

Most professional planners give up when they enter repair departments but using the above technique, maintenance planning really works in our case study organization.

The last of our service controls is accounting. What is the place of accounting in this new organization of ours? I believe the accounting problem is simply to provide data to help management plan and then control operations.

There are two phases, but not necessarily two divisions to this program of accounting controls. The legal financial side sees to it that we bill our customers and that we receive the money owing to us. It must not permit us to sell goods to the wrong sort of people. Credit control comes into existence. The socio-economic side of things must be taken care of and this

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branch of accounting will see that our new economic unit takes its proper place in the nation and in particular, that the company's relations with the chief governing bodies is correct at all times. We shall have proper legal and tax advice.

The overall accounting plan provides us with an effective account structure for the recording and controlling of all financial transactions. It is so designed that an analytical statement of profit and loss is possible each month.

Most important in this plant is the control expressed by accounting through a manual of established procedures on the approval of expenditures, inventory control, office management, and all planning and routine transactions involving the financial health and internal order of the corporation.

However, the accounting executive, of our case study plant cannot take a purely legal financial approach to accounting that would limit itself to historical data and comparisons taken over relatively long periods.

The management team of this new firm of ours has had to think in terms of samples of information, averages, indexes.

It asks for appraisals. It uses standards and estimates. It deals not with absolutes, but relatives. All of these thought processes deal with to-day's considered judgment of what will happen to-morrow. The principle of exception is in use.

Cost Accounting, the second phase of account control, assists the management in the relative short term day to day economics. In this plant records are not kept to determine costs. Costs are determined to control the specific immediate plans of the company and to solve its specific business problems.

The accounting and cost system's plan of operation is four-fold:—

1. To provide data for continuous departmental expense control via budgets and a proper code of accounts.
2. To provide a control on income by furnishing product cost information for the revision and checking of selling prices.
3. To widen profit margin by special studies on cost reduction.
4. To develop a monthly Profit and Loss Statement especially designed to present management, not only with the accurate facts of earnings, but the abnormal deviations from anticipated earnings.

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Such a program is handled by a system of budgetary and standard cost control.

Our small plant hasn't all the fancy sides of budget control, but it does get a sales forecast from which an overall budget of expenditures can be made.

It does operate a detailed expense budget for the plant. One mistake many small plants make, is to charge all maintenance and repair expenses to one account and wonder why they can't control it. Our small plant makes fairly detailed breakdowns of the general maintenance and repair account in each department by a series of standing orders.

These standing orders cover single machines, or sections of machines or even specific types of routine repairs.

This breakdown assists currently in expense control — makes future budgeting easy and provides factual cost history on individual machines and operations.

At period end a single comparison of the total actual expense and the budget is made for each department on an even dollar basis. Further examination is made only if abnormal deviations occur. If investigation is necessary, the standing order structure shows the answer. Foremen and supervisors only are provided with the details by standing orders for their departments. They have been taught to do the detailed control work. Once the expense budget is operating within good limits, a watch is made only for gross deviations and changes in equipment or processing which call for revision.

The standard cost system provides material price and usage variance by class of material.

Labour rate and performance variance from standard are shown.

Overhead measurement is taken in 3 ways:—

1. Budget or spending variance.
2. Efficiency variance or a measure of the plant's absorption level and capacity variance or, more familiarly, idle plant.

Scrap is treated as a variance from standard for control purposes.

Labour rate, material variance and budget variance are illustrative by themselves as measures of extra expenditure.

Labour performance, overhead efficiency and capacity variance and scrap variance tie in directly with the standard performance of factory efficiency mentioned earlier as quick one

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figure control. We know daily from planning what attainment percentage wise the factory shows. Now we know monthly the cost of the accumulated deviation from 100% standard performance.

Overhead efficiency variation costs show dollar wise how well we used the time we operated. Idle plant which is analyzed by a simple daily report form based on hours down by cause shows dollar wise the cost of not producing.

Scrap variation figures show dollar wise the cost of producing and throwing away.

Simplified monthly reports are made of all these variations, with bar charts appended to show current trends.

By watching these variances from standards we are guarding our anticipated earnings.

This new small industry is no different than any other. It has product profit variations. The mix is important. Break-even work is studied by product groups and suggested mixes made to management as a guide to control financial returns.

The standard variance system is designed to give actual costs by these same product groups to prove that profit margins exist. Low profit products are studied for special cost reduction, uprating of selling price or dropping from the line.

The final control is a monthly profit and loss designed to aid the management in quickly assessing the economic efficiency of the organization. In other words, variances from standard are shown on the statement.

The accounting cost department delivers, therefore, 3 current reports, a simple comparison statement of actual expense to estimated; a simple statement of variance so arranged that it ties in with the factory efficiency record, both of which may have detail appended if serious variations occur, and a simple statement of income and expense in terms of plant efficiency.

In addition, there are submitted special studies on cost reduction, plant expansion and the all important problems of product mix and their influence on earnings.

EMPLOYEE RELATIONS

We have discussed a good deal about the physical and mathematical controls in this business we are studying, but we have not mentioned the people who must operate the controls.

The entire plan of campaign outlined before can and will

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fail if a proper sense of employee-employer relationship is missing.

First of all, we shall see in this establishment that proper salaries and wages exist, which have been set by job description and job evaluation. Good working conditions and fair treatment are given the employees and, particularly those on the staff side. In exchange for good job conditions and salaries, the management expects first class work. This point is extremely important in a small business, a good man is absolutely essential, since he is probably the only one of his kind. A good program of training is carried on by weekly and monthly conference sessions, attended by top supervision, foremen and group leaders.

There is at least one additional technique employed in our case study plant which helps to co-ordinate effort and cement employee relations.

This is a daily meeting lasting half an hour only, first thing in the morning, attended by all staff heads.

Short reports are given by each supervisor. In particular, an examination is made of the standard performance figure, of scrap and quality control factors, or how well did we do yesterday? Engineering report on any major breakdowns, particularly if connected with the production budget, or are we still producing? The previous day's billing and shipping figures by day and to date are given and any special situations requiring committee action later in the day.

This meeting gives in broad outline the previous day's performance in all divisions. Everyone is up to date on the general picture before beginning his day's work.

At the appropriate periods and in these meetings bar and curve charts are presented showing trends of scrap by groups of products, and production effort to date.

Once each month, the accountant portrays by bar charts to the staff heads the significant financial results, the measure in dollars of downtime and of labour, material and overhead inefficiencies. These same results are given by departments to the interested foreman and are much more effective on a large scale chart than in a figure report. Everyone knows the overall performance as well as his own particular side of it. Everyone feels part of the organization.

In essence, this meeting is so planned and designed that all the controls I have mentioned become operative daily and accumulatively by the month.

